

HOUSE BILL NO. 148

INTRODUCED BY LAMBERT

BY REQUEST OF THE PUBLIC EMPLOYEES' RETIREMENT BOARD

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR THE ACTUARIAL FUNDING OF THE PUBLIC EMPLOYEES', SHERIFFS', AND GAME WARDENS' AND PEACE OFFICERS' RETIREMENT SYSTEMS; INCREASING EMPLOYER CONTRIBUTION RATES IN THE PUBLIC EMPLOYEES', SHERIFFS', AND GAME WARDENS' AND PEACE OFFICERS' RETIREMENT SYSTEMS BUT PROVIDING THAT THE INCREASE WILL TERMINATE IF CERTAIN ACTUARIAL CONDITIONS ARE MET; ALLOCATING A PORTION OF THE EMPLOYER CONTRIBUTION IN THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM DEFINED CONTRIBUTION PLAN TO PAY FOR THE PLAN'S STARTUP LOAN; PROVIDING AN APPROPRIATION; AMENDING SECTIONS 19-3-316, 19-3-2117, 19-3-2121, 19-7-404, 19-8-504, AND 19-21-214, MCA; AND PROVIDING AN EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 19-3-316, MCA, is amended to read:

"19-3-316. Employer contribution rates. (1) Each employer shall contribute to the system. Except as provided in ~~subsection (2)~~ subsections (2) and (3), the amount of the employer contribution as a percentage of the employer's covered payroll is 6.9%. Of employer contributions made under this subsection for both defined benefit plan and defined contribution plan members, a portion must be allocated for educational programs as provided in 19-3-112. Employer contributions for members under the defined contribution plan must be allocated as provided in 19-3-2117.

(2) Local government and school district employer contributions must be the total employer contribution rate provided in subsection (1) minus the state contribution rate applied to their monthly covered payrolls under 19-3-319.

(3) Subject to subsection (4), in addition to the contribution required under subsection (1), each employer shall contribute to the system a sum equal to the following percentage of the total compensation paid to all of the employer's employees, except those properly excluded from membership:

(a) beginning July 1, 2005, 0.66%; and

1 (b) beginning July 1, 2007, 1.33%.

2 (4) (a) The board shall periodically review the additional employer contribution provided for under
3 subsection (3) and recommend adjustments to the legislature as needed to maintain the amortization schedule
4 set by the board for payment of the system's unfunded liabilities.

5 (b) The employer contribution required under subsection (3) terminates on January 1 immediately
6 following the system's actuarial valuation if:

7 (i) the actuarial valuation determines that the period required to amortize the system's unfunded
8 liabilities, including adjustments made for any benefit enhancements enacted by the legislature after the
9 valuation, is less than 25 years; and

10 (ii) terminating the additional employer contribution would not cause the amortization period as of the
11 most recent actuarial valuation to exceed 25 years."

12
13 **Section 2.** Section 19-3-2117, MCA, is amended to read:

14 **"19-3-2117. Allocation of contributions and forfeitures.** (1) Each plan member's retirement account
15 must be credited with the member contributions made under 19-3-315.

16 (2) Subject to adjustment by the board as provided in 19-3-2121, beginning on the plan's effective date,
17 of the employer contributions under 19-3-316, an amount equal to:

18 (a) 4.19% of compensation must be allocated to the member's retirement account;

19 (b) 2.37% of compensation must be allocated to the defined benefit plan as the plan choice rate; ~~and~~

20 (c) 0.04% of compensation must be allocated to the education fund as provided in 19-3-112(1)(b); and

21 (d) the following amounts must be allocated to the administrative account used by the board to meet
22 the plan's administrative expenses, including startup expenses:

23 (i) beginning July 1, 2005, 0.66% of compensation;

24 (ii) beginning July 1, 2007, 1.33% of compensation; and

25 (iii) beginning when the employer contributions under 19-3-316(3) terminate pursuant to 19-3-316(4),
26 0% of compensation.

27 (3) Subject to adjustment by the board pursuant to 19-3-2121(6) and beginning on the plan's effective
28 date, of the employer contributions under 19-3-316, 0.3% of compensation must be allocated to the long-term
29 disability plan trust fund established pursuant to 19-3-2141.

30 (4) Forfeitures of employer contributions and investment income on the employer contributions may not

1 be used to increase a member's retirement account. The board shall allocate the forfeitures under 19-3-2116
2 to meet the plan's administrative expenses, including startup expenses."

3
4 **Section 3.** Section 19-3-2121, MCA, is amended to read:

5 **"19-3-2121. Determination and adjustment of plan choice rate and contribution allocations. (1)**

6 The board shall periodically review the sufficiency of the plan choice rate and shall adjust the allocation of
7 contributions under 19-3-2117 as specified in this section. The board shall collect and maintain the data
8 necessary to comply with this section.

9 (2) The plan choice rate set in 19-3-2117(2)(b) must be adjusted as provided in this section, taking into
10 account:

11 (a) as determined under subsection (3), the change in the normal cost contribution rate in the defined
12 benefit plan that is the result of member selection of the defined contribution plan; and

13 (b) as determined under subsection (4), the sufficiency of the plan choice rate to actuarially fund the
14 defined contribution plan member's appropriate share of the defined benefit plan's unfunded liabilities.

15 (3) The change in the normal cost contribution rate must be an amount equal to the difference between
16 the normal cost contribution rate in the defined benefit plan that would have resulted if all system members
17 remained in the defined benefit plan and the normal cost contribution rate in the defined benefit plan for the
18 actual members of the defined benefit plan, multiplied by the covered payroll of members in the defined benefit
19 plan, divided by the covered payroll of members in the defined contribution plan. The measurements under this
20 subsection must be based on the defined benefit plan in effect on the effective date of the defined contribution
21 plan until the board determines that the defined benefit plan has been amended in a manner that significantly
22 affects plan choices available to system members. After a board determination that the defined benefit plan has
23 been significantly changed, the measurements in this subsection with respect to members entering the system
24 after the significant change must be made on the basis of the defined benefit plan, as amended.

25 (4) The sufficiency of the plan choice rate to actuarially fund the appropriate share of the defined benefit
26 plan's unfunded liabilities must be determined as follows:

27 (a) The board shall determine the number of years required to actuarially fund the defined benefit plan's
28 unfunded liabilities as of the June 30, 1998, actuarial valuation, which must be the initial schedule for the defined
29 contribution plan to actuarially fund the plan's share of the unfunded liabilities. The board shall reduce the
30 schedule by 1 year each biennium.

(b) During each subsequent actuarial valuation of the defined benefit plan conducted pursuant to 19-2-405, the board shall determine whether the plan choice rate minus the amount provided in subsection (2)(a) of this section is sufficient to pay the unfunded liability obligations within the schedule determined under subsection (4)(a) of this section. If the amount is insufficient to fund the liability over a period of ~~40~~ 12 years longer than the scheduled period or is more than sufficient to fund the liability over a period of ~~40~~ 12 years earlier than the scheduled period, the board shall determine to the nearest 0.1% the amount of the ~~increase or decrease~~ change in the plan choice rate that is required to actuarially fund the liabilities according to the established schedule.

(5) If the board determines that the plan choice rate should be ~~increased or decreased~~ changed, the plan choice rate under 19-3-2117(2)(b) must be ~~increased or decreased~~ changed accordingly. If the plan choice rate is increased, the allocation of employer contributions to member accounts under 19-3-2117(2)(a) must be decreased by that amount. If the plan choice rate is decreased, the allocation of employer contributions to member accounts under 19-3-2117(2)(a) must be increased by that amount.

(6) If the board determines that the contribution rate to the disability plan under 19-3-2117(3) should be increased, the employer contribution to each member's account under 19-3-2117(2)(a) must be decreased by that amount. If the board determines that the contribution rate to the disability plan under 19-3-2117(3) should be decreased, the employer contribution to each member's account under 19-3-2117(2)(a) must be increased by that amount.

(7) By November 1 of the year of a determination pursuant to this section that the allocation of employer contributions under 19-3-2117(2) must be changed, the board shall notify system members, participating employers, employee and employer organizations, the governor, and the legislature of its determination and of the changes required.

(8) Effective ~~January~~ July 1 of the year after the regular legislative session that immediately follows a determination under this section, the plan choice rate and the allocation of contributions under 19-3-2117(2) must be adjusted according to the board's determination."

Section 4. Section 19-7-404, MCA, is amended to read:

"19-7-404. Employer contributions. (1) ~~The~~ Except as provided in subsection (3), the employer shall pay monthly 9.535% of each member's gross compensation into the pension trust fund created by this chapter.

(2) If the required contribution to the retirement system exceeds the funds available to a county from

1 general revenue sources, a county may, subject to 15-10-420, budget, levy, and collect annually a tax on the
2 taxable value of all taxable property within the county that is sufficient to raise the amount of revenue needed
3 to meet the county's obligation.

4 (3) Subject to subsection (4), in addition to the contribution required under subsection (1), each
5 employer shall contribute to the system an additional sum equal to 1.2% of the compensation paid to all of the
6 employer's employees, except those properly excluded from membership, increasing to 2.4% beginning July
7 1, 2007.

8 (4) (a) The board shall periodically review the additional employer contribution provided for under
9 subsection (3) and recommend adjustments to the legislature as needed to maintain the amortization schedule
10 set by the board for the system's unfunded liabilities.

11 (b) The employer contribution required under subsection (3) terminates on January 1 immediately
12 following the system's actuarial valuation if:

13 (i) the actuarial valuation determines that the period required to amortize the system's unfunded
14 liabilities, including adjustments made for any benefit enhancements enacted by the legislature after the
15 valuation, is less than 25 years; and

16 (ii) terminating the additional employer contribution would not cause the amortization period as of the
17 most recent actuarial valuation to exceed 25 years."

18
19 **Section 5.** Section 19-8-504, MCA, is amended to read:

20 **"19-8-504. State employer's contribution.** Each (1) Except as provided in subsection (2), each month,
21 state employers shall pay to the pension trust fund a sum equal to 9% of the total compensation paid to their
22 covered employees. The department of fish, wildlife, and parks shall include in its budget and shall request for
23 legislative appropriation an amount necessary to defray the state's portion of the costs of this section.

24 (2) Subject to subsection (3), in addition to the contribution required under subsection (1), each
25 employer shall contribute to the system an additional sum equal to 0.24% of the compensation paid to all of the
26 employer's employees, except those properly excluded from membership.

27 (3) (a) The board shall periodically review the additional employer contribution provided for under
28 subsection (2) and recommend adjustments to the legislature as needed to maintain the amortization schedule
29 set by the board for the system's unfunded liabilities.

30 (b) The employer contribution required under subsection (2) terminates on January 1 immediately

1 following the system's actuarial valuation if:

2 (i) the actuarial valuation determines that the period required to amortize the system's unfunded
3 liabilities, including adjustments made for any benefit enhancements enacted by the legislature after the
4 valuation, is less than 25 years; and

5 (ii) terminating the additional employer contribution would not cause the amortization period as of the
6 most recent actuarial valuation to exceed 25 years."

7
8 **Section 6.** Section 19-21-214, MCA, is amended to read:

9 **"19-21-214. Contributions and allocations for employees in positions covered under the public**
10 **employees' retirement system.** (1) The contribution rates for employees in positions covered under the public
11 employees' retirement system who elect to become program members pursuant to 19-3-2112 are as follows:

12 (a) the member's contribution rate must be the rate provided in 19-3-315; and

13 (b) the employer's contribution rate must be the rate provided in 19-3-316.

14 (2) Subject to subsection (3), the employer's contribution under subsection (1)(b) must be allocated as
15 follows:

16 (a) 4.49% of compensation must be allocated to the participant's program account;

17 (b) 2.37% of compensation must be allocated to the defined benefit plan under the public employees'
18 retirement system as the plan choice rate; ~~and~~

19 (c) 0.04% of compensation must be allocated to the education fund pursuant to 19-3-112(1)(b); ~~and~~

20 (d) the following amounts must be allocated to the administrative account used by the board to meet
21 the plan's administrative expenses, including startup expenses:

22 (i) beginning July 1, 2005, 0.66% of compensation;

23 (ii) beginning July 1, 2007, 1.33% of compensation; and

24 (iii) beginning when the employer contributions under 19-3-316(3) terminate pursuant to 19-3-316(4),
25 0% of compensation.

26 (3) The allocations under subsection (2) are subject to adjustment by the public employees' retirement
27 board, but only as described in and in a manner consistent with the express provisions of 19-3-2121."

28
29 **NEW SECTION. SECTION 7. APPROPRIATION.** THE FOLLOWING MONEY IS APPROPRIATED AS FOLLOWS FOR
30 **THE BIENNIUM ENDING JUNE 30, 2007, TO IMPLEMENT THE RETIREMENT SYSTEM STATE EMPLOYER CONTRIBUTION RATE**

1	<u>INCREASES PROVIDED FOR IN [THIS ACT]:</u>			
2	<u>FISCAL YEAR 2006</u>		<u>FISCAL YEAR 2007</u>	
3	<u>GENERAL FUND</u>	<u>OTHER FUNDS</u>	<u>GENERAL FUND</u>	<u>OTHER FUNDS</u>
4	<u>EXECUTIVE BRANCH</u>			
5	<u>\$887,794</u>	<u>\$1,428,134</u>	<u>\$886,929</u>	<u>\$1,426,574</u>
6	<u>UNIVERSITY SYSTEM</u>			
7	<u>\$133,329</u>	<u>\$0</u>	<u>\$133,083</u>	<u>\$0</u>
8	<u>OFFICE OF PUBLIC INSTRUCTION</u>			
9	<u>\$185,218</u>	<u>\$0</u>	<u>\$188,922</u>	<u>\$0</u>
10	<u>LEGISLATIVE BRANCH</u>			
11	<u>\$13,212</u>	<u>\$0</u>	<u>\$13,194</u>	<u>\$0</u>
12	<u>JUDICIAL BRANCH</u>			
13	<u>\$24,234</u>	<u>\$6,445</u>	<u>\$24,173</u>	<u>\$6,430</u>
14	<u>CONSUMER COUNCIL</u>			
15	<u>\$740</u>	<u>\$2,242</u>	<u>\$742</u>	<u>\$2,248</u>

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17 NEW SECTION. **Section 8. Effective date.** [This act] is effective July 1, 2005.

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